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STATE OF ARIZONA  
DEPARTMENT OF INSURANCEDEPT. OF INSURANCE  
BY CB

In the Matter of:

AMERICAN MEDICAL SECURITY, INC.

Respondent.

No. 01A-250-INS

## CONSENT ORDER

The State of Arizona Department of Insurance ("Department") has received evidence that American Medical Security, Inc., ("Respondent") violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and neither admits nor denies the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

## FINDINGS OF FACT

1. Respondent American Medical Security, Inc. is, and was at all material times, registered as a life and health administrator in Arizona. Respondent's corporate offices are located in Green Bay, Wisconsin.

2. United Wisconsin Life Insurance Company (United Wisconsin) is, and was at all material times, authorized to transact life and disability insurance in the state of Arizona pursuant to a certificate of authority issued by the Director.

3. On or about October 1, 1997, Respondent entered into an Administrative Services Agreement with United Wisconsin to market, solicit, procure and underwrite applications for coverage, communicate with insureds, establish and administer provider networks, perform utilization review, collect premium and adjust and settle claims on coverage offered by United Wisconsin.

4. On or about December 26, 2000, Adrian Spicer (Spicer) applied for a health insurance policy underwritten by United Wisconsin.

5. On or about February 7, 2001, Spicer received a letter from Respondent stating that his application for coverage with United Wisconsin had been denied due to medical history.

6. Spicer attempted to learn from Respondent or its agents the specific reasons his application was denied. When these attempts were unsuccessful, Spicer filed a complaint with the Better Business Bureau of Wisconsin (BBB of Wisconsin).

7. On or about March 13, 2001, Respondent sent a letter to the BBB of Wisconsin disclosing all of Spicer's medical conditions and provided a copy of the application Spicer submitted to Respondent. Spicer did not authorize Respondent to release his private health information to the BBB of Wisconsin.

8. Respondent represents to the Department that it believed that Spicer's actions in seeking assistance from the BBB of Wisconsin authorized it to disclose the information to the BBB of Wisconsin along with pertinent documents showing its reason for the declination of coverage.

## CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter.

2. Respondent's conduct constitutes unauthorized disclosure of personal or privileged information, within the meaning of A.R.S. §20-2113.

3. Respondent's conduct constitutes a knowing violation of Title 20, Chapter 11, Article 1, for purposes of imposing a civil penalty under A.R.S. §20-2117.

4. Grounds exist for the Director to suspend or revoke a certificate of registration pursuant to A.R.S. §20-485.12, impose a civil penalty upon Respondent pursuant to A.R.S. §§20-485.12(I) and 20-2117, and order Respondent to cease and desist pursuant to A.R.S. §20-2116.



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**ORDER**

IT IS HEREBY ORDERED THAT:

1. Respondent shall pay a civil penalty in the amount of one thousand dollars five hundred dollars (\$1500) to the Director payable upon the entry of this Order for remission to the State Treasurer for deposit in the State General Fund.

2. Respondent shall cease and desist from disclosing personal or privileged information in violation of A.R.S. §20-2113.

DATED AND EFFECTIVE this 31<sup>st</sup> day of October, 2001.

  
CHARLES R. COHEN  
Director of Insurance

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**CONSENT TO ORDER**

1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law and Order.

2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and neither admits nor denies the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law and Order.

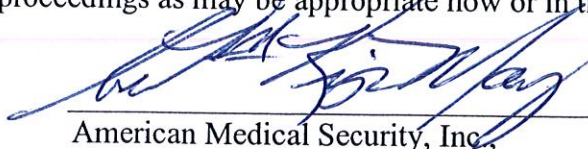
3. Respondent is aware of its right to notice and a hearing at which it may be represented by counsel, present evidence and examine witnesses. Respondent irrevocably waives its right to such notice and hearing and to any court appeals relating to this Consent Order.

4. Respondent states that no promise of any kind or nature whatsoever, except as expressly contained in this Consent Order, was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

1           5.       Respondent acknowledges that the acceptance of this Consent Order by the Director is  
2 solely to settle this matter against it and does not preclude any other agency, officer, or subdivision of  
3 this state from instituting civil or criminal proceedings as may be appropriate now or in the future.

4       10-22-01

5       Date

  
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American Medical Security, Inc.,

6                               By Its Vice President - Compliance

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8 COPIES of the foregoing mailed/delivered  
9 this 1st day of November, 2001, to:

10 Joseph Keen, Director  
11 Regulatory Affairs for United Wisconsin Life Ins. Co.  
12 American Medical Security, Inc.  
3100 AMS Boulevard  
P. O. Box 19032  
Green Bay, WI 54307-9032

13 Sara M. Begley, Deputy Director  
14 Gerrie L. Marks, Executive Assistant for Regulatory Affairs  
15 Mary Butterfield, Assistant Director  
16 Catherine M. O'Neil, Consumer Legal Affairs Officer  
17 Scott Greenberg, Chief Operating Officer  
18 Robert Alonzo, Investigator  
19 Department of Insurance  
20 2910 North 44<sup>th</sup> Street, 2<sup>nd</sup> Floor  
21 Phoenix, Arizona 85018

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Curvey Walters Burton